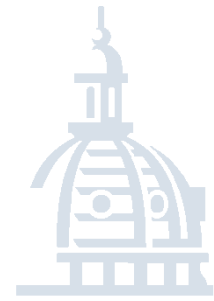


# Fiscal Note

*Fiscal Services Division*



**HF 664** – School Supplemental State Aid FY 2017 (LSB2679HV)  
Analyst: John Parker (Phone: (515) 725-2249) ([john.parker@legis.iowa.gov](mailto:john.parker@legis.iowa.gov))  
Fiscal Note Version – New

## Description

**House File 664** requires a 2.00% State percent of growth rate to be applied to each of the regular school aid State cost per pupil amounts for FY 2017.

## Background

The State cost per pupil amounts in FY 2017 will depend on the growth rate established for FY 2016. The table below assumes a 1.25% growth rate for FY 2016 that is included in **SF 171** as amended by **H-1009** (School Supplemental State Aid FY 2016). The school aid formula provides funding through a mix of State aid and property tax to school districts and Area Education Agencies (AEAs). In general, funding is generated on a per pupil basis with the per pupil amounts providing an overall budget limitation. There are five FY 2017 State cost per pupil funding levels that will be increased by a 2.00% State percent of growth for FY 2017. The following table provides the supplemental State aid amounts (also referred to as per pupil growth amounts), and State cost per pupil amounts for FY 2017 based on a 2.00% growth rate. The supplemental State aid amounts will be applied to all corresponding district and AEA cost per pupil amounts.

Regular School Aid Per Pupil Components	FY 2015 State Cost Per Pupil Amount	FY 2016 State Percent of Growth	Supplemental State Aid	FY 2016 State Cost Per Pupil	FY 2017 State Percent of Growth	Supplemental State Aid	FY 2017 State Cost Per Pupil
Regular Program	\$ 6,366.00	1.25%	\$ 80.00	\$ 6,446.00	2.00%	\$ 129.00	\$ 6,575.00
Special Education Program	6,366.00	1.25%	80.00	6,446.00	2.00%	129.00	6,575.00
AEA Special Education Support	279.53	1.25%	3.49	283.02	2.00%	5.66	288.68
AEA Media Services	52.11	1.25%	0.65	52.76	2.00%	1.06	53.82
AEA Educational Services	57.51	1.25%	0.72	58.23	2.00%	1.16	59.39

In addition to the State percent of growth and supplemental State aid for FY 2017, enrollments, weightings, and taxable valuations within each school district have an impact on the amount of total school aid funding, including the amount of State aid and local property tax required to generate the total funding amount.

## Assumptions

Assumptions include:

- Estimates are based on Department of Education enrollment projections for FY 2017 and a 2.5% increase in preschool weighting change.
- The FY 2017 supplementary weightings assume a 1.0% increase in special education weightings, a 1.0% increase in at-risk weightings, a 7.0% increase in English-as-a-second-language (ESL) weightings, a 100.0% increase for operational sharing weightings, and a 5.0% increase in all other supplementary weightings.
- Statewide taxable valuation growth of 2.6% for FY 2016 and 4.18% for FY 2017. Based on these assumptions, the statewide total for the uniform levy is estimated to account for \$35.9 million of the school foundation property tax change in FY 2017 (including the uniform levy portion of the commercial/industrial rollback replacement payment). The estimated increase

in the uniform levy amount is not impacted by the establishment of the State percent of growth rate.

- Property tax adjustment aid amounts are based on the statewide taxable valuation growth factor applied to each school district's FY 2017 taxable valuation amount.
- Other legislation may have an impact on the amount of State aid and property tax generated though the school aid formula. The fiscal impact in the following table includes the provisions in [SF 171](#) as amended by [H-1009](#) (School Supplemental State Aid FY 2016), [SF 172](#) as amended by [H-1010](#) (State Categorical Supplemental State Aid FY 2016), [HF 665](#) (State Categorical Supplemental State Aid FY 2017), and [SF 176](#) (Education Funding Supplemental for FY 2017). These provisions are included in the State General Fund appropriation for school aid.
- State aid includes funding from the State General Fund and other funds appropriated or deposited in the Property Tax Equity and Relief (PTER) Fund that is used to provide additional property tax relief through the school aid formula.
- Establishing a FY 2017 State percent of growth will also impact the amount of funding generated for the Statewide Voluntary Preschool Program. Funding for the Program is provided by the State General Fund and is included in the overall State aid total.
- Districts eligible for the 101.0% budget adjustment will approve use of that provision. The Legislative Services Agency (LSA) estimate includes a total budget adjustment of \$21.6 million, based on the FY 2017 State percent of growth and budget enrollments.
- In FY 2017, the additional \$15.0 million State aid reduction to AEAs implemented in FY 2015 will be restored.

### **Fiscal Impact**

The following table provides the estimated fiscal impact of [HF 664](#), and includes the provisions in [SF 171](#) as amended by [H-1009](#), [SF 172](#) as amended by [H-1010](#), [HF 665](#), and [SF 176](#):

- A total General Fund expenditure for State school aid in FY 2017 of \$3,090.6 million, an increase of \$125.2 million (4.2%) compared to estimated FY 2016. This includes:
  - Restoration of the \$15.0 million reduction in State aid to the AEAs. Under current law, the reduction will total \$7.5 million (a statutory reduction implemented annually).
  - \$40.2 million in property tax replacement payment (PTRP) funding, an increase of \$9.2 million compared to estimated FY 2016. [Senate File 176](#) (Education Funding Supplemental for FY 2017) requires State aid to account for the entire increase in the cost per pupil amount due to the State percent of growth in FY 2017.
  - Based on [HF 665](#), \$459.0 million for the State categorical supplements, an increase of \$60.8 million (15.3%). This includes \$289.6 million for the teacher salary supplement, \$32.9 million for the professional development supplement, \$33.8 million for the early intervention supplement, and \$102.7 million for the teacher leadership supplement (new school aid funding provision beginning in FY 2016).
  - \$76.5 million for preschool formula funding, an increase of \$3.3 million compared to estimated FY 2016. The preschool formula funding is included in the State aid amount, but it is not included in the combined district cost total.
- The combined district cost (reflecting the total school aid funding level for school districts and AEAs generated through the school aid formula), is estimated to increase \$170.7 million (4.0%) compared to estimated FY 2016.

Any legislative action impacting FY 2016 school aid provisions will have an impact on FY 2017 school aid amounts. Additionally, any variations in the assumptions noted may result in significant changes in the FY 2017 estimates provided in the following table.

**Legislative Services Agency: Estimated FY 2016 and FY 2017 School Aid Estimates (Statewide Totals in Millions)**

		State Cost Per Pupil \$ 6,446 \$80 Increase			State Cost Per Pupil \$ 6,575 \$129 Increase		
		FY 2016 Estimates Assumes 1.25% State Percent of Growth			FY 2017 Estimates Assumes 2.00% State Percent of Growth		
<b>Program Funding:</b>	<b>FY 2015</b>	<b>Totals</b>	<b>Est. Change</b>	<b>% Change</b>	<b>Totals</b>	<b>Est. Change</b>	<b>% Change</b>
Regular Program District Cost	\$ 3,059.8	\$ 3,110.0	\$ 50.2	1.6%	\$ 3,178.6	\$ 68.6	2.2%
Regular Program Budget Guarantee	3.2	16.5	13.3	420.4%	21.6	5.1	30.8%
Total Supplemental Weighting	75.6	81.3	5.7	7.5%	98.4	17.1	21.1%
District Special Education	398.9	398.7	-0.1	0.0%	410.8	12.0	3.0%
Dropout and Dropout Prevention	103.5	105.1	1.6	1.6%	107.5	2.4	2.3%
Teacher Salary Supplement (District)	263.0	267.8	4.8	1.8%	274.2	6.4	2.4%
Professional Development Supplement (District)	29.8	30.4	0.5	1.8%	31.1	0.7	2.4%
Early Intervention Supplement (District)	32.4	33.0	0.6	1.8%	33.8	0.8	2.4%
Teacher Leadership Supplement (District)	0.0	50.2	50.2		102.7	52.5	104.7%
AEA Special Education (with adjustment)	153.1	155.4	2.4	1.6%	158.9	3.4	2.2%
AEA Media Services	26.7	27.2	0.5	1.8%	27.8	0.6	2.2%
AEA Education Services	29.5	30.0	0.5	1.8%	30.7	0.7	2.2%
AEA Sharing	0.1	0.1	0.0	1.2%	0.1	0.0	2.0%
Total AEA Reduction	-22.5	-7.5	15.0	-66.7%	-7.5	0.0	0.0%
Teacher Salary Supplement (AEA)	14.8	15.0	0.3	1.7%	15.4	0.4	2.4%
Professional Development Supplement (AEA)	1.7	1.8	0.0	1.7%	1.8	0.0	2.4%
<b>Combined District Cost</b>	<b>\$ 4,169.4</b>	<b>\$ 4,315.0</b>	<b>\$ 145.6</b>	<b>3.5%</b>	<b>\$ 4,485.8</b>	<b>\$ 170.7</b>	<b>4.0%</b>
Statewide Voluntary Preschool Program	\$ 70.0	\$ 73.1	\$ 3.2	4.5%	\$ 76.5	\$ 3.3	4.6%
<b>Funding Sources:</b>							
<b>State Aid from General Fund</b>	<b>\$ 2,865.5</b>	<b>\$ 2,965.3</b>	<b>\$ 99.8</b>	<b>3.5%</b>	<b>\$ 3,090.6</b>	<b>\$ 125.2</b>	<b>4.2%</b>
Excess from SAVE Fund	8.2	6.3	-2.0	-23.8%	8.5	2.2	35.2%
<b>Total State Aid (Includes Non-General Fund)</b>	<b>\$ 2,873.8</b>	<b>\$ 2,971.6</b>	<b>\$ 97.9</b>	<b>3.4%</b>	<b>\$ 3,099.1</b>	<b>\$ 127.5</b>	<b>4.3%</b>
Uniform Levy Amount	\$ 783.7	\$ 814.1	\$ 30.4	3.9%	\$ 850.0	\$ 35.9	4.4%
Additional Levy Total	582.5	602.5	19.9	3.4%	613.2	10.7	1.8%
Comm/Ind - Uniform Levy Portion	-9.3	-19.1	-9.8	105.8%	-19.9	-0.8	4.2%
Comm/Ind - Additional Levy Portion	-7.3	-15.0	-7.7	105.6%	-15.2	-0.2	1.5%
<b>Total Levy to Fund Combined District Cost</b>	<b>\$ 1,349.7</b>	<b>\$ 1,382.4</b>	<b>\$ 32.7</b>	<b>2.4%</b>	<b>\$ 1,428.0</b>	<b>\$ 45.6</b>	<b>3.3%</b>
<b>Misc. Information:</b>							
Budget Enrollment	478,920.9	480,771.9	1,851.0	0.4%	481,756.4	984.5	0.2%
Number of Districts with Budget Guarantee	66	165	99	150.0%	141	-24	-14.5%
State Categorical Total	\$ 341.8	\$ 398.2	\$ 56.4	16.5%	\$ 459.0	\$ 60.8	15.3%
AEA Funding	\$ 203.3	\$ 222.0	\$ 18.7	9.2%	\$ 227.1	\$ 5.1	2.3%
Property Tax Replacement Payment (PTRP)	\$ 25.4	\$ 31.1	\$ 5.6	22.1%	\$ 40.2	\$ 9.2	29.5%

Notes:  
Contact the LSA for more information

## Sources

Iowa Department of Education, Certified Enrollment and Enrollment Projections file  
Iowa Department of Management, School Aid file  
Iowa Department of Revenue  
LSA analysis and calculations

/s/ Holly M. Lyons

May 26, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.